Washington Post

118

Industry Group Says Highway Funds Scarce

By JIM ABRAMS
The Associated Press
Friday, November 25, 2005; 10:57 AM

WASHINGTON -- Taxing hybrids and other fuel-efficient cars and billing drivers for miles driven are among the approaches being suggested to avert a shortfall in money to maintain the nation's highways.

Less than four months after President Bush signed a six-year, $286.4 billion highway and public transit act, a report commissioned by the U.S. Chamber of Commerce says the federal Highway Trust Fund is running out of money and Congress needs to think about new revenue sources.

"Decisions are going to have to be made in the very near future," said Ed Mortimer, the business lobby's director of transportation infrastructure, acknowledging it could be a tall order. The next highway bill is years away and lawmakers may be loathe to return to a measure that was widely criticized for being padded with thousands of special-interest projects.

The Senate came to an acrimonious halt recently when a senator suggested shifting to hurricane relief the money from two Alaskan bridge projects, including a $223 million project linking Ketchikan to a sparsely populated island with an airport that critics have dubbed the "bridge to nowhere." Congress later removed the bridge from a list of protected projects, but money for it is still part of Alaska's share of federal highway dollars.

The recently issued study, commissioned but not endorsed by the chamber, estimated that the trust fund, financed by the federal tax on gasoline, will take in only $231 billion over the six-year course of the act, and that the highway portion of the fund would hit a zero cash balance in 2008, a year before the act expires.

The report also concluded revenues from all levels of government will fall $500 billion short of what is needed just to maintain pavement and bridge conditions and traffic levels through 2015, and $1.1 trillion short of what is needed to improve the nation's infrastructure.

"Without a significant influx of new revenues," said Associated General Contractors of America's CEO Stephen E. Sandherr, "our nation's transportation network will also continue to deteriorate, impacting mobility and economic well-being."

The Transportation Department, in a statement, said it "has recognized for some time the growing strains placed on the Highway Trust Fund, which is why Secretary (Norman) Mineta championed the creation of an extensive review of the fund's future in the recently enacted surface transportation bill."

In the short term, the study recommended that the federal gas tax, set at 18.4 cents a gallon since 1993, be indexed for inflation. Of that, 15.44 cents goes to highways, with most of the rest to mass transit accounts.

Last year the House Transportation Committee backed raising the tax, the only major tax not adjusted for inflation, by 4 or 5 cents to pay for a $375 billion bill. The administration warned that the president would veto any bill that increased taxes.

The study argued that the fuel tax has lost one-third of its purchasing power since 1993 and that of the 60 cents per mile that drivers now pay to operate a car, only 1 cent goes to federal taxes.

Other possible short-term money-raisers include expanded use of tolling and bonds, closing fuel tax exemptions, recrediting interest to the trust fund and dedicating 10 percent of U.S. Customs import revenues to port and freight facilities.

Proposals for the longer term could be more controversial. One is that owners of hybrids and other alternative fuel vehicles pay a vehicle fee, the argument being that drivers should bear their fair share to fill the potholes and fix the bridges, regardless of how much or what kind of fuel they use.

In the same vein, the report said federal and state governments should begin moving from the fuel tax to a mileage-based system. The current tax, in place since 1956, could have diminishing returns as cars become more fuel efficient and if Americans, turned off by rising gas prices, buy smaller cars.

Revenues deposited in the trust fund in the 2004 budget year totaled $34.7 billion, unchanged from four years earlier.

Oregon has already initiated a voluntary "vehicle miles of travel" program under which cars are equipped with GPS systems that track miles driven. Drivers pay a periodic fee based on that rather than a tax at the pump.

Rep. Peter DeFazio, D-Ore., a senior member of the Transportation Committee, expressed some doubts about the experiment, saying it penalized fuel-efficient vehicles and was "very high-tech, very complicated and very controversial."

The Chamber of Commerce study said governments must begin planning now because "it will take at least 10 to 15 years of significant experimentation to develop mileage-based revenue systems that can be tailored technically and politically to the needs of the states and cities."

—

On the Net: Information on the study can be found at:
http://www.uschamber.com/ncf/publications/default.htm